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SUMMARY

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector exports throughout the year. We believe that Manaus Free Trade Zone offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product here, please check out our other reports at www.buyusa.gov/brazil and consider contacting us directly to find out if we can help you export to Brazil.

Ministry of Development, Industry and Foreign Trade (MDIC)

The Brazilian Ministry of Development, Industry and Foreign Trade (MDIC) was created in 1999. The ministry is responsible for: (1) the policy for the development of industry, commerce and services; (2) intellectual property rights (IPR) and technology transfer; (3) metrology, standards and industrial quality; (4) foreign trade policy; (5) foreign trade and programs initiatives; (6) international negotiations; and (7) support for micro and small companies.

The following institutions report to MDIC:

- Manaus Free Trade Zone Authority (SUFRAMA);
- Brazilian National Institute for Industrial Property (INPI);
- National Institute of Metrology, Normalization and Industrial Quality (INMETRO);
- Brazilian Bank of Economic and Social Development (BNDES)

SUFRAMA - Manaus Free Trade Zone Authority

The Brazilian Amazon Forest, with approximately 5 million square kilometers and 21 million inhabitants, represents an area equal to 80 percent of South-American Amazon and more than 59 percent of the Brazilian territory. The region holds about 1/5 of the world's primary broad-leaved forests, as well as mineral resources such as petroleum, natural gas, bauxite, cassiterite, and others.

The Manaus Free Trade Zone Authority (SUFRAMA) is an investment promotion agency created in 1967 for the

administration of Brazil's Free Trade Zones and the Amazon region. The Superintendent of SUFRAMA reports directly to Minister of Trade (MDIC). Today, SUFRAMA is a Brazilian government "one stop shop" for companies investing in the region. SUFRAMA's goal is to generate, attract and consolidate investments the region that promote sustainable development and technological innovation.

The primary mechanism for encouraging regional development is the Manaus Free Trade Zone. Originally restricted to the central part of the city of Manaus (approximately 10,000 square kilometers, or 6,250 square miles), the area has since grown to encompass more than 2 million kilometers.

In the Brazilian Federal Constitution of 1988, the fiscal benefits of the Manaus Free Trade Zone were guaranteed to the year 2013. In 2004, the tax breaks for the zone were extended through 2023.

Free Trade Zone status implies that goods of foreign origin may enter the Manaus free port without paying customs duties or other Federal, State or local import taxes. In addition, IPI (industrialized products tax) is eliminated for certain commodities and ICMS (equivalent to VAT tax) is eliminated for most items. With very few exceptions, imported products to be used for processing, re-export or transshipment, which are subsequently shipped to other parts of Brazil, also qualify for these tax exemptions. The ICMS sales tax is imposed, however, when items produced in the free port are shipped out of the Free Trade Zone to other areas of Brazil.



Similar tax benefits have also been extended to neighboring states totaling more than 2 million kilometers. Unlike Manaus; however, (which has special incentives for the establishment of industries), the other areas are only free ports for import and export of goods. They are called Free Trade Areas. The seven Free Trade Areas are located in Amazon's frontier regions: Macapá-Santana, in the State of Amapá; Tabatinga, bordering Peru in the state of Amazonas; Guajará-Mirim, bordering Bolivia in the State of Rondônia; Bonfim and Paracáima in the state of Roraima; as well as Brasília-Epitaclândia and Cruzeiro do Sul, in the State of Acre.

It is important to note that commercial invoices and bills of landing must have a letterhead mentioning "Free Zone of Manaus" as well as one of the following statements: "Zona Franca de Manaus para Consumo" (Manaus Free Zone for Consumption) or "Zona Franca de Manaus para Reexportação" (Manaus Free Zone for Re-export). The Brazilian Foreign Trade Secretariat (SECEX) is responsible for import licenses, issued through the SISCOMEX system. The import licenses must be issued prior to shipment to the Brazilian marketplace and are additionally subject to authorization at SUFRAMA.

Tax incentives are the main reason for companies to manufacture in the Amazon Region. Generally, the following tax incentives are given:

- Reduction of up to 88 percent of the import tax for raw materials designated for industrialization;
- Exemption from the Industrialized Product Tax (IPI);
- Reduction of 75 percent from the deductible taxes from the Income Tax, which is based on the companies' profit, until 2013;
- Exemption of the PIS/CONFINS tax, which are two Brazilian federal taxes that apply on the gross revenues of Brazilian companies, generally at a combined rate of 3.65 percent;
- Partial restitution of the ICMS tax (equivalent to VAT), varying from 40.61 percent to 90.25 percent.

Besides tax incentives, SUFRAMA offers companies a leasing incentive, by allowing them to rent of land for industrial use for a symbolic price of US\$ 0.30 per square meter.



In order to receive fiscal incentives, a company must fulfill certain requirements and be approved by the Administration Council, which is composed of 10 Brazilian Ministries. This project must show the annual

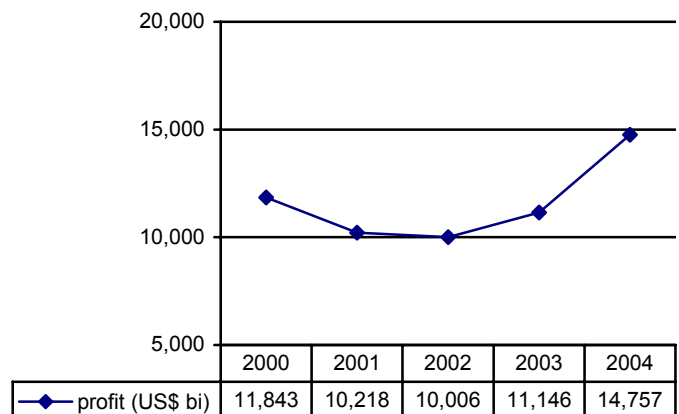
importation limits, and the following points must be satisfied:

- Fulfillment of the Basic Productive Process (PPB);
- Creation of jobs in the Amazon region and provision of social benefits to employees;
- Implementation of state of the art technologies in the production process;
- Re-investment in the region;
- Constant employee training to increase productivity levels.

Currently, there are about 420 companies in the Manaus Industrial Area, which is a kind of neighborhood where almost all companies are located. The Area's fiscal incentives have attracted companies such as: Coca-cola, Honda, Gillette, Nokia, Harley Davidson and Siemens, among others. Together, foreign investment in the Amazon Region reaches about US\$ 4 billion. In 2004, these companies gathered a profit of about US\$ 14.7 billion. The trade zone provides 91,000 jobs directly related to industry, and accounts for 6 percent of Brazil's manufacturing capacity.



Total Profit Gathered by the Amazon Companies
Source: SUFRAMA - SAP/CGPRO/COISE



The electro-electronics industry in Manaus, which accounts for 31 percent of total investment, is one of the most important manufacturing sectors. However, only two electronic components manufacturers — AVX and Murata — are located in Manaus. They assemble ceramic capacitors from imported components. Due to the reduction of the import duties on electronic components in 1991, the direct importation of electronic components has become cheaper than manufacturing in the country.

In 2004, imports into the Amazon Region totaled approximately US\$ 4 billion. Total imports from the United States were approximately US\$ 366 million, or 9 percent.

Total exports reached over US\$ 1 billion. Exports to the United States were approximately US\$ 620 million, or 62 percent. Major export products include: TV sets, audio and video equipment, cellular phones, air conditioners, microwave ovens, computer desktops, computer monitors and peripherals.

The leading sectors by investment are:

- | | |
|-------------------------|-----|
| 1. Electric-Electronics | 31% |
| 2. Computer Goods | 24% |
| 3. Motorcycles | 18% |
| 4. Chemicals | 10% |
| 5. Thermoplastic | 8% |
| 6. Metallurgic | 2% |
| 7. Watches | 1% |
| 8. Others | 6% |

All Brazilian motorcycle, consumer electronics, and watch production is located in Manaus.

According to SUFRAMA, the Manaus Industrial Area, also known as PIM, registered new records surpassing US\$ 2 billion in revenue in the first two months of 2005. In January and February, companies from the Manaus Free Trade Zone had a total profit of US\$ 2.1 billion, 30 percent higher than what they had registered during the same period in 2004.

The electronics segment, which leads PIM profits, registered a growth of 27 percent. The two-wheels sector (motorcycles and bikes), which is one of Manaus' most important sectors, closed the first two months of 2005 with a growth of 33 percent over the previous year. The most important development has been in the IT industry; especially the microcomputers segment which grew 120 percent during the first two months of 2005 compared with the previous year. The production of cellphones grew 72 percent, surpassing the mark of 4,1 million units of cellphones produced in Manaus.

Processo Produtivo Básico – PPB

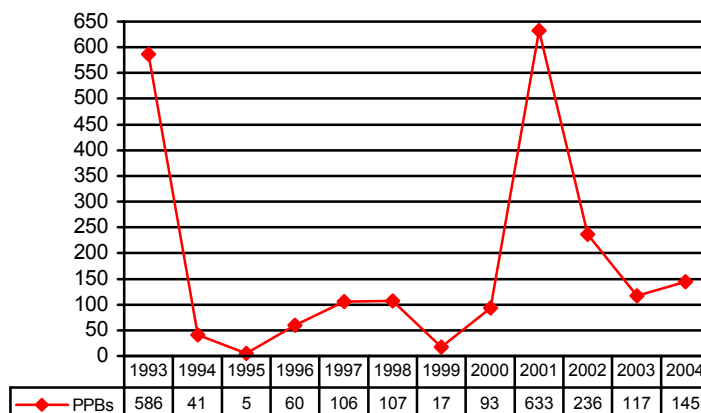
The Basic Productive Process (Processo Produtivo Básico - PPB) was created by Law 8387/91 and Decree nº 783/93. The legislation was changed slightly on December 30, 2004 by Law nº 11.077/04.

The PPB is a way to attract companies and gives the right of a series of public funds benefit, such as IPI tax

and ICMS tax reduction, besides the use of the IT Law (Law nº 11.077/04) for the development of new products.

Between April 1993 and November 2004 a total number of 2,146 PPBs were signed, as shown below:

Number of PPBs Approved between 1993 and 2004
Source: MDIC/SECEX/SERPRO - Sistema Alice (SUFRAMA)



Legislation about Manaus is available at:

- <http://www.receita.fazenda.gov.br/Legislacao/LegisAssunto/ZonFraMan.htm>
- http://www.suframa.gov.br/mzfm_areabeneficios.cfm

Foreign Investment

In the first quarter of 2005, SUFRAMA approved 95 projects where foreign companies will be investing in the electric-electronics, two-wheels and plastic injection sectors. The investment is worth US\$ 1.1 billion and will generate over 1000 jobs.

Nissin Brake do Brasil (metallurgic sector), Mitsuda do Brasil and Musashi da Amazonia (both metal-mechanical sectors) will provide pieces to the two-wheels companies.

Foxconn do Brasil will invest US\$ 66.3 millions in the production of components (impressed circuits) for the cellphone and IT industry, while Elcotec (www.elcotec.com) will invest US\$ 44.2 millions in the update of its production line.

In May 2005 the European based company Facomsa da Amazônia, which specializes in the production of instrument panels and blinker light kits for motorcycles, opened a plant in Manaus worth US\$ 1.4 million.

Facomsa will sell its products to the two-wheels companies that are located in Manaus.

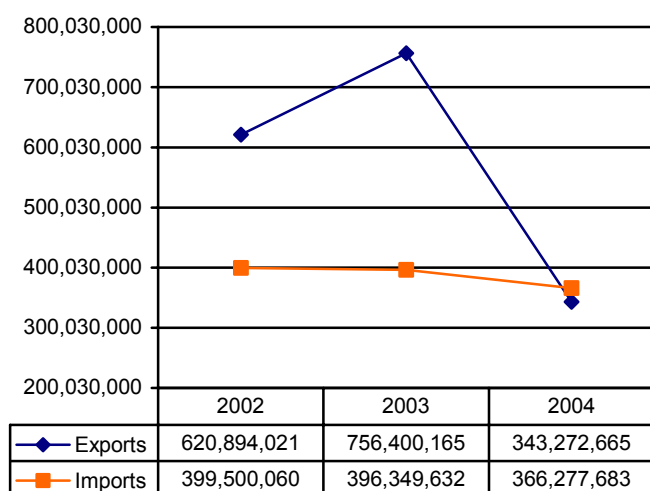
French owned SAGEM is also investing in Manaus. According to Mr. Grégoire Olivier, President of Sagem's Executive Board, the company will invest R\$ 27 million (approximately US\$ 11 million) in a manufacturing plant in Manaus, which will manufacture GSM cellphones.

Trade Balance Between USA and the Manaus FTZ

The United States is one of Manaus' most important trading partners. Between 2002 and 2003, total exports to the U.S. grew from US\$ 620.8 million to US\$ 756.4 million. In 2004, however, exports to the United States decreased significantly to US\$ 343.2 million. This reduction is due to significant export growth to Argentina, Chile, Germany, Venezuela and Finland. The main products exported were: cellphones, motorcycles, non-electronic shavers, digital signal decoder, and air conditioners, among others.

Total imports from the United States have also been decreasing, but not significantly. In 2003, total imports reached US\$ 396 million, while in 2004 total imports reached US\$ 366 million. The products that were most imported were: styrene, color films, integrated circuits, and cathode tubes for color TVs.

Exports and Imports between Manaus Free Trade Zone and the United States (2002 - 2004)
Source: MDIC/SECEX/SERPRO - Sistema Alice (SUFRAMA)



Since the United States is the most important export market, in spite of the significant reduction in the trade balance, SUFRAMA, the Amazonas Industry Center

(CIEAM), Enterprise Florida, and the U.S. county of Broward (25 miles from Miami) implemented a project that establishes a warehouse and permanent show room in the Port of Everglades for products manufactured in Manaus. This project is called CLAD (Centro Logístico Avançado de Distribuição).

According to SUFRAMA, Brazil is now exporting approximately US\$ 7 billion of products to Florida on an annual basis. Further details are available at www.amazonclad.org.

While the United States is the most important export market, (US\$ 76.8 million in the first two months of 2005), it is important to consider recent sales increases of 847 percent to China and 2,677 percent to Singapore, comparing the total sales in the months of January and February 2004 and 2005.

Exports from Manaus Free Trade Zone

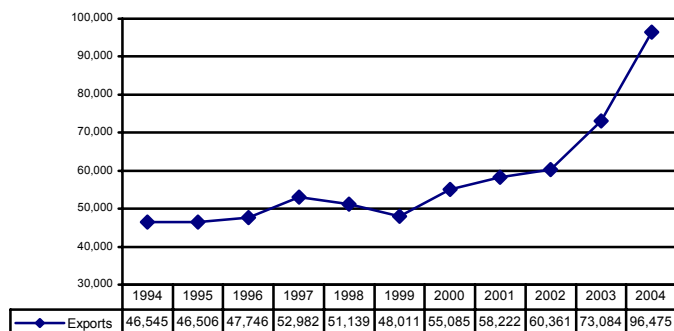
The fiscal incentive policy that SUFRAMA implemented has been increasing export growth, year after year. In 1999 exports reached US\$ 430 million and by the end of 2003, this number reached US\$ 1.3 billion. The main exported products in 2004 were: (1) cellphones, (2) motorcycles, (3) TV sets, (4) soft drinks, (5) kinescopes for color TVs, (6) non electrical shavers (7) air conditioners, (8) digital signal decoders, and (9) shaving blades. The 15 top exporters are:

US\$ FOB – Exports from Manaus Free Trade Zone		
Source: SECEX/MDIC	2004	2003
Nokia	402,887,939	71,154,376
Siemens	92,028,498	6,126,759
Moto Honda	81,838,500	58,355,310
Coca-Cola	27,785,690	28,551,008
Yamaha	26,688,446	6,627,503
Samsung Electronics	24,913,194	18,515,070
Gillette	20,611,652	14,065,918
Brastemp (Whirlpool)	19,623,950	12,597,577
Kodak	17,750,850	6,480,718
Panasonic	14,383,391	7,077,078
Samsung SDI	14,020,601	15,455,439
Thomson	13,673,661	7,906,764
Philips	8,118,094	10,966,169
OMG Brasil	7,993,471	12,309,755
Xerox	6,387,707	12,309,755
Total Exports	873,619,625	372,262,013

Exports have increased as a result of recent steps taken by SUFRAMA and the Brazilian government, including

attendance at a great number of trade missions and trade shows around the world.

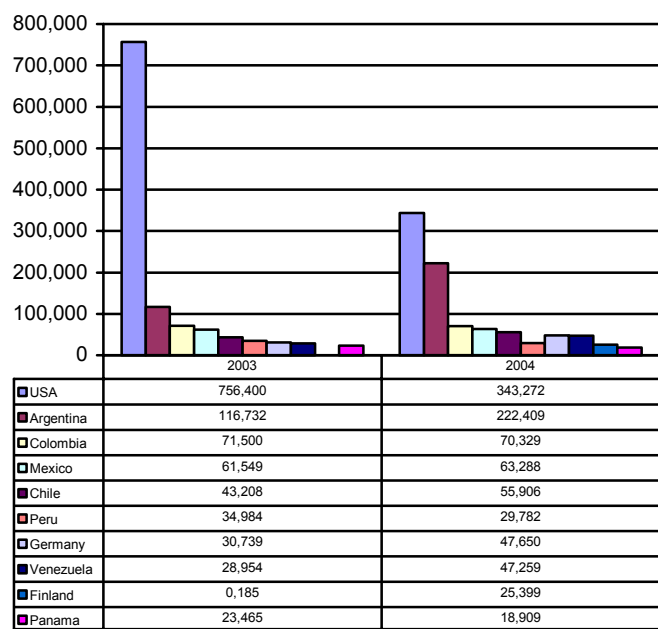
Main Exports from Manaus Free Trade Zone
(2003 - 2004)



The most important export markets have been the United States, Argentina, Colombia, Mexico, Chile, Germany, Venezuela and Peru.

Cellphones are still the main products exported from Manaus. In the two first months of 2005, export sales reached US\$ 121.6 million, an increase of 361 percent in comparison to the same period in 2004. The main cellphone markets are: the United States, Finland, Chile, Germany, Hungary, Peru, Guatemala, Venezuela, Taiwan, Panama, El Salvador and Costa Rica. The second most exported product was motorcycles with 125 pistons: US\$ 21 million.

Main Export Markets from Manaus Free Trade Zone
(2003 - 2004)
Source: DECEX/SEXEX



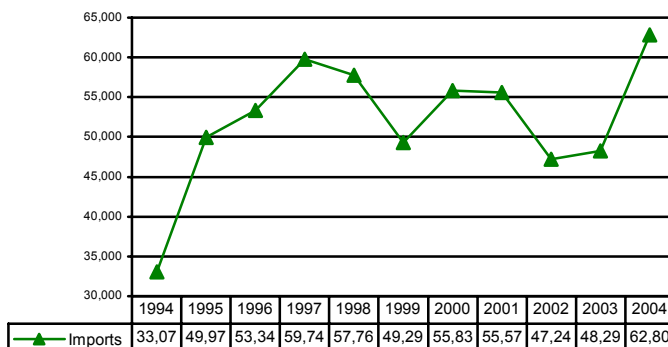
Imports from Manaus Free Trade Zone

Overall, imports have increased from 2003 to 2004. The main imported products are related to the Telecom/IT and two-wheels sectors. The main imported products in 2004 were: (1) LCD screens, (2) parts for TV and radios, (3) cathode ray tubes, (4) impressed circuits, (5) memories, (6) motorcycle parts, (7) styrene and others. The top 15 importers are:

US\$ FOB – Imports from Manaus Free Trade Zone		
Source: SECEX/MDIC		
	2004	2003
Nokia	723,555,969	769,664,037
Siemens	345,113,055	127,789,560
Samsung	195,971,921	147,033,935
LG Electronics	166,858,849	124,265,573
Jabil	156,998,033	45,640,120
Moto Honda	153,056,572	150,394,107
Samsung	147,843,273	238,413,712
Sony	141,522,031	91,303,996
Coimpa	109,531,467	94,305,246
Yamaha	100,191,579	70,867,667
Semp Toshiba	98,124,812	67,723,309
Philips	89,322,896	66,682,014
Panasonic	86,742,440	65,319,368
Gradiente	79,428,801	50,957,673
LG Philips Displays	77,123,488	38,674,422
Total Imports	4,333,618,346	3,456,569,824

Imports have significantly increased from 2003 to 2004. This growth is directly related to the investments in Manaus and the enlargement of the manufacturing plants of companies like Honda and Siemens.

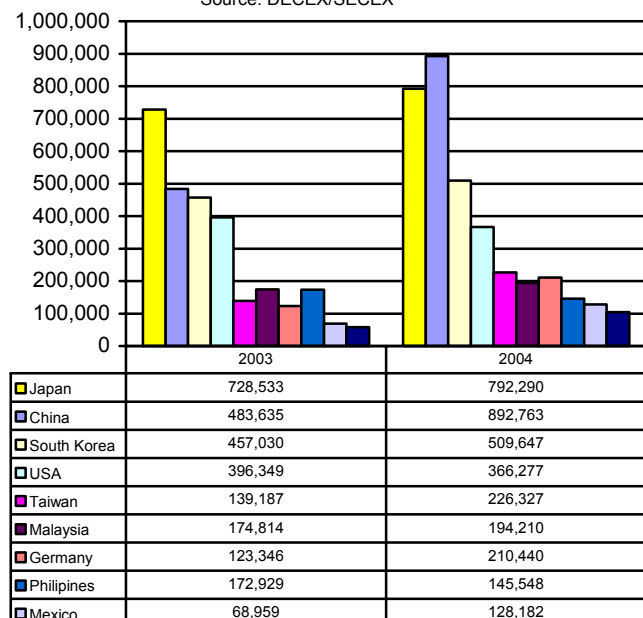
Imports from Manaus Free Trade Zone
(2003 - 2004)



In 2004, imports from the United States decreased in comparison to 2003, when imports reached US\$ 396 million. It is important to note the significant growth of Chinese imports, which almost doubled to become the

main import market, followed by Japan, South Korea and the United States.

Main Import Markets from Manaus Free Trade Zone
(2003 and 2004)
Source: DECEX/SECEX



Research and Development (R&D)

Since 2002, SUFRAMA has been giving incentives for the creation of Research and Development (R&D) institutes. The most important R&D institutes are:

- Fundação Nokia de Ensino (FNE)
- Instituto Nokia de Tecnologia (IndT)
- Fundação Centro de Análise, Pesquisa e Inovação Tecnológica – FUCAPI
- Instituto Certi da Amazônia
- Unidade de Gestão Estratégica do Centro de Ciência, Tecnologia e Inovação (CT-PIN)
- Genius Instituto de Tecnologia
- Samsung Instituto de Desenvolvimento para a Informática da Amazônia

Some R&D institutions are working very closely with SUFRAMA in relevant projects. FUCAPI and Certi are two examples. Other R&D institutions are more focused on the development of new technologies, with the support of private companies such as Nokia, Gradiente and Samsung.

Among Amazon R&D institution projects, the most important are:

- Digital TV
- Software development (Amazonsoft)
- Microelectronic and Microsystems (PMMPIM)
- Bio-industry Program (Prodebio/CBA)

Major Projects in Amazonas

The Manaus Free Trade Zone Authority is coordinating some important projects in the Amazon Region. The most important projects are:

Amazon Surveillance System (SIVAM/SIPAM)

Implementing Agency: Ministry of Defense / CCSIVAM
Goal: To be a systemic organization for the production and distribution of information, composed by a complex technological basis and an integrated institutional network, aimed at knowledge management and human sustainable development in the region.

Current Status of Project: The Brazilian government plans to complete the Amazon Surveillance System (SIVAM) by July 2006, with the installation of the last of the 25 radar sites in the project, as well as the completion of the General Coordination System in Brasília. Feature highlights that SIVAM's air traffic control capabilities have been invaluable in allowing the Air Force to prevent gun- and drug-carrying clandestine aircraft from entering Brazilian airspace over the Amazon, although the same cargoes are now being transported across the border by land.

Details are available at: www.sivam.gov.br

CBA – Amazon Biotech Center

Implementing Agency: SUFRAMA
Goal: SUFRAMA created a Biotech Center in Manaus for local universities, R&D institutions (Associated network of laboratories – RLA) and the private sector to do technological research. The objective is to develop technologies, which add value to the raw material produced by the biodiversity of the Amazon region. Brazil is an important contributor to the worldwide genome sequencing effort that is having a tremendous impact on agricultural, biological, and medical sciences. Currently, there are 1,700 research groups (countrywide) developing biotechnology projects.

Current Status: CBA was set up as a part of the National Molecular Program – PROBEM and is currently in the final set up process.

Estimated cost: R\$ 50 million (about 20.5 million).



Picture: Manaus Biotech Center
Source: SUFRAMA

CT-PIM - Center of Science, Technology and Innovation

Goal: Promote the generation, the domain and the application of advanced and innovative scientific and technological knowledge, in partnership with local, national and international institutions, contributing to the sustainable, economical, environmental and social development of the Western Amazon, and in particular, of the Manaus Industrial Area.

Current Status: In 2004, CT-PIM financed some specialization courses about (1) analog circuits, (2) digital circuits, and (3) Microsystems. 2005, specialization courses include (1) digital TV and (2) logistics.

Contracts with R&D institutions in Belgium (IMEC) and France (MINATEC) were signed in order to exchange experience and know-how between CT-PIN and the foreign R&D institutions. Ten Brazilian engineers will benefit from this agreement.

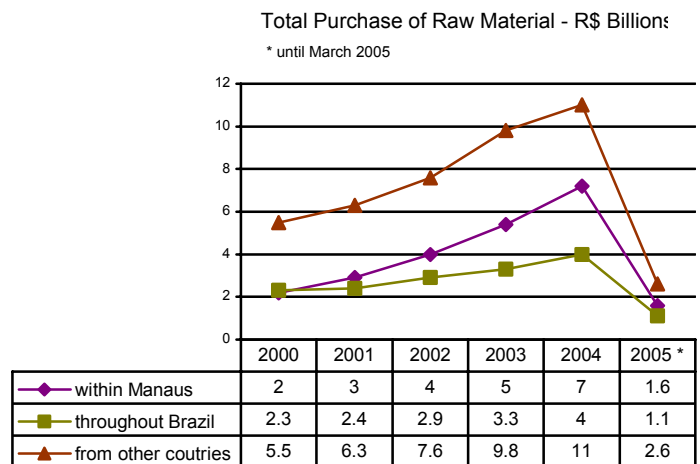
Details are available at:
www.suframa.gov.br/mzfm_projeto.cfm

Raw Materials

While Manaus Free Trade Zone needs to import raw materials to be used in the production process, the acquisition of such products come primarily from foreign countries.

According to SUFRAMA, in 2000, local industry imported approximately 55 percent of the raw material used in the

manufacturing process. Since then, the percentage has decreased. By 2004, imports were only 49 percent of total purchases.



Raw materials for local production are increasingly coming from within the Manaus Free Trade Zone itself. From 2000 to 2004 the percentage of locally produced raw material increased from 22 to 30 percent of total purchases. The percentage of local purchases in the electric-electronics sector grew from 16 to 29 percent, from 2000 to 2004. The percentage in the two-wheels sector grew from 41 to 48 percent in the same period.

Logistics

Transportation has been a real problem for Manaus-based companies that export to other countries or even to other Brazilian states. Therefore, Manaus has not only been attracting large companies, but also smaller companies that supply the parts to larger local players. This can be better seen in the electric-electronics and two-wheels sectors: the Japanese company FCC (a supplier for Honda and Yamaha) is based in Manaus just a few minutes from these companies. Logistics motivated FCC to have operations in Manaus.

Products manufactured in Manaus have only three shipment options:

1. Via boat, up to the city of Belem and afterwards through road (called Belem-Brasilia Road)
2. Via boat, up to Belem with transshipment from the local port to Santos Port (or any other port).
3. Via air cargo.

In order to have products shipped from Manaus to São Paulo, for example, if option one or two is chosen, it will

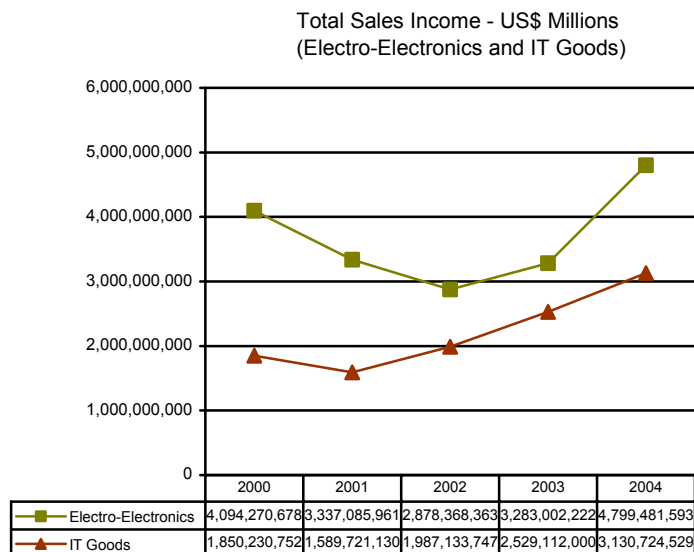
take approximately 12 days for delivery. If the shipment is sent by air cargo, it will take approximately four hours.

The motorcycle company Honda (the largest manufacturer in Manaus with a production of one million motorcycles and all-terrain vehicles pre year) ships to a port in southern Brazil at a cost of US\$ 42.00 per unit, giving the company an annual transportation bill of US\$ 42 million. According to the plant manager, Mr. Issao Mizoguchi, if subsidies did not exist, the company would have to move due to Brazil's high logistics costs.

Approximately 5 thousand trucks leave Manaus per month. The transportation company Bertolini Ltda. is the most important player.

Top Sectors: Electric-Electronics and IT Goods

The electric-electronics sector is the most important segment, and represents approximately 31 percent of the market, followed by the IT goods sector (24 percent). Under these categories, the most important products are: (1) televisions, (2) cellphones, (3) VCRs, (4) video games, (5) compact discs (6) floppy discs, (7) magnetic tapes, (8) DVD players, (9) monitors, and (10) integrated circuits.



Total sales income has been increasing significantly since 2002. From January to March 2005, sales in the Electro-Electronics sector reached approximately US\$ 1.2 billion, while the IT Goods sector reached, in the same period, approximately US\$ 746 million.

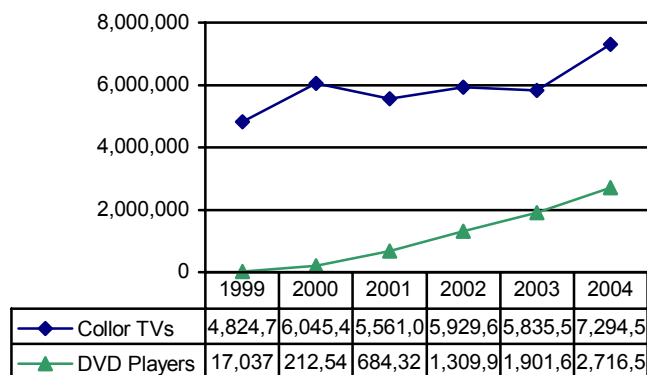
From January to March 2005, total revenue from the electric-electronics sector reached approximately US\$ 2 billion, an increase of 33.28 percent compared to the same period in the previous year.

• Television Market

Almost all Brazilian TV sets sold in the country and abroad are manufactured in the Manaus Free Trade Zone. The industry has been growing since 1999, although it retracted significantly in 2001, as a result of a local energy crisis. In 2004, the local industry registered tremendous growth from the adoption of higher technologies such as flat screen, LCD, and plasma televisions.

According to SUFRAMA, 14, 16, and 21-inch TV sets represent almost 90 percent of Manaus TV production in terms of unit quantity. These Brazilian TV sets have similar prices as those in the United States. Larger TV sets (29, 32, 34 and 38 inches) represent 10 percent of Manaus production. According to SUFRAMA, this outlook is changing, partly motivated by increasing sales of DVD players. As can be seen in the graphic below, production has increased from 17,037 units in 1999, to 27,164,657 in 2004.

Evolution of the TV Sets and DVD Players Production at Manaus Free Trade Zone



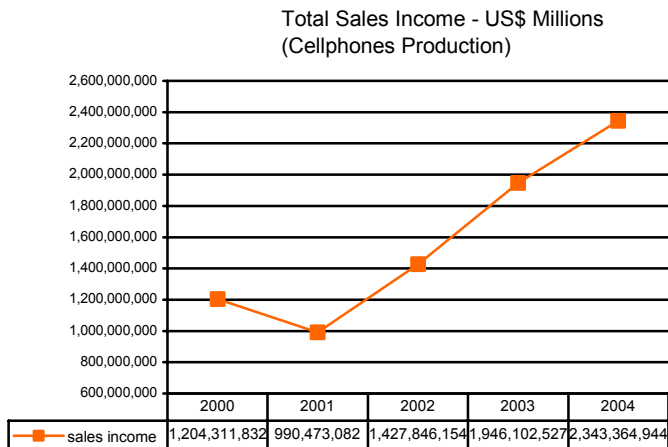
In Brazil, generally, large screen TV sets (29 to 38 inches) and DVD players are more expensive than in the United States. The average price difference is about 25 percent. This is related to a higher percentage of imported pieces inside the TV set and the small production scale of larger sets.

Since 2002, the number of TV sets exported has been significantly decreased. An explanation for this is the fact that the United States is the largest importer and U.S. consumers are gradually substituting analog TV sets (exported by Brazil) with DTV sets (exported by Korea).

The sale of DTV sets in the U.S. has been increasing since 2002.

- **Cell phone Market**

Almost all Brazilian cell phones are manufactured in Manaus, with part of the production exported to other countries including the United States.



Total sales income generated by cell phone companies in Manaus (such as Siemens, Nokia and Gradiante) have been growing significantly since 2001, when sales were below US\$ 1 billion. In 2004 total sales reached US\$ 2.3 billion and by March 2005, this number had reached US\$ 521 million.

Top Sectors: Two-Wheels

All Brazilian motorcycles are manufactured in Manaus, with the sector representing 18 percent of all local investment. While the most important players are Honda and Yamaha, the only non-US based Harley Davidson plant is also located in Manaus.

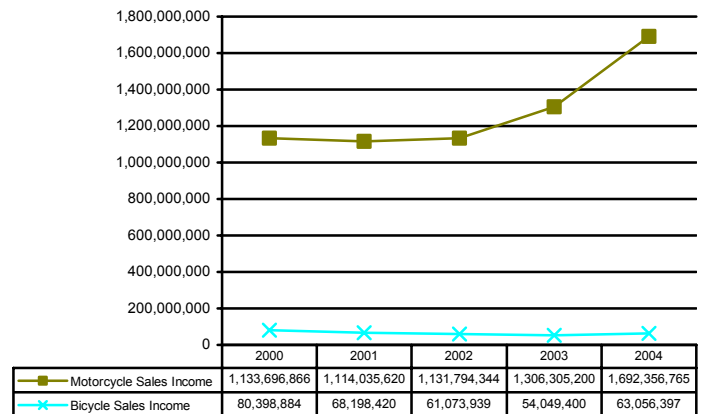
Besides motorcycles, Manaus also manufactures bicycles. Bicycle production was overtaken by motorcycle production in 2002. In this year, Honda alone increased its motorcycle production by 30 percent.

Revenue in the motorcycle segment has been growing significantly, especially since 2002, when revenue grew from US\$ 1.13 billion to US\$ 1.69 billion. The bicycle segment has retracted from US\$ 80 million in 2000 to US\$ 63 million in 2004.

From January to March 2005, total sales in the two-wheels sector reached US\$ 686 million, an increase of approximately 33 percent compared to the same period

in the previous year, when sales reached approximately US\$ 516 million.

Total Sales Income - US\$ Millions (Two Wheels Sector)

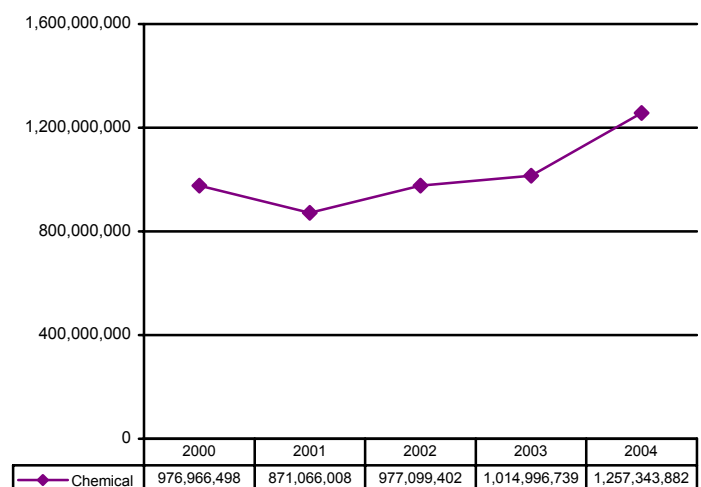


Top Sectors: Chemicals

The chemical sector has been growing since 2001. In 2004, total revenue reached approximately US\$ 1.2 billion, an increase of 23 percent compared to the previous year when sales were about US\$ 1 billion.

From January to March 2005, total sales in the chemical sector reached US\$ 343 million, an increase of 17 percent compared to the same period in the previous year, when sales reached US\$ 291 million.

Total Sales Income - US\$ Millions (Chemical Sector)

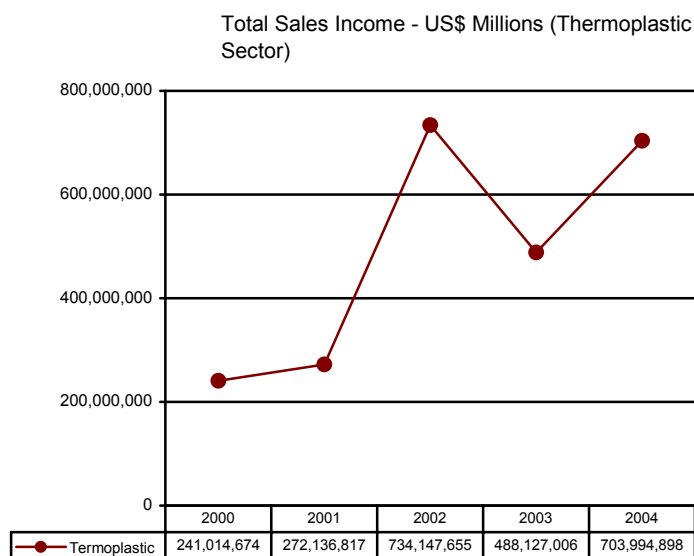


Top Sectors: Thermoplastics

Lately, SUFRAMA has been giving more attention to the thermoplastics sector, after a study done together with the Brazilian National Association of IT Goods Manufacturers (ELETROS). According to the study, the thermoplastics sector is very important to the Manaus Free Trade Zone, since the region imports approximately 42 percent of the raw materials used in the thermoplastics industry, while national and local raw material represent respectively 48 and 10 percent. The intention is to reduce the percentage of imported raw material in order to reduce the cost of the local production.

The Superintendent of SUFRAMA, Mrs. Flavia Grosso, has been attending meetings with her technical staff and several companies. The last meeting that the Agency had was with the US company Nypro Inc. (www.nypro.com). SUFRAMA also had a meeting with the Brazilian company CRW Plásticos (www.crw.com.br) and the Portuguese company Simoldes Plásticos (www.simoldes.pt).

Total sales in the thermoplastic sector have been varying significantly. While sales in 2003 reached US\$ 488 million (a decrease of 33 percent in comparison with the previous year), sales in 2004 reached US\$ 705 million, an increase of approximately 44 percent.

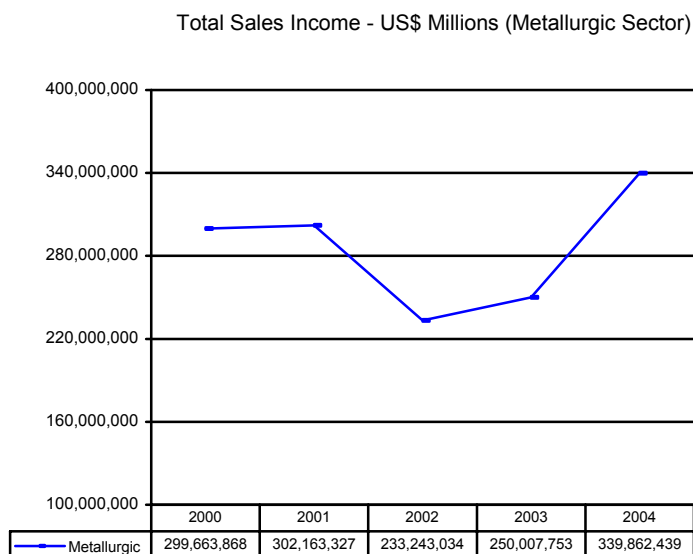


From January to March 2005, total sales reached approximately US\$ 231 million, an increase of approximately 76 percent compared to the same period in the previous year, when sales reached approximately US\$ 131 million.

Top Sectors: Metallurgy

The metallurgic sector in Manaus represents 2 percent of the market, and like the thermoplastics sector, total sales income has been varying significantly.

The metallurgic sector retracted significantly in 2001, when sales went from US\$ 302 million in 2001 to US\$ 233 million in 2002. In 2004, total revenue reached US\$ 339 million, the highest level since 2000.



Sales in the sector have been increasing and are expected to grow in 2005. From January to March 2005, total revenue reached US\$ 123 million, an increase of 76 percent compared to the same period in the previous year, when sales reached approximately US\$ 70 million.

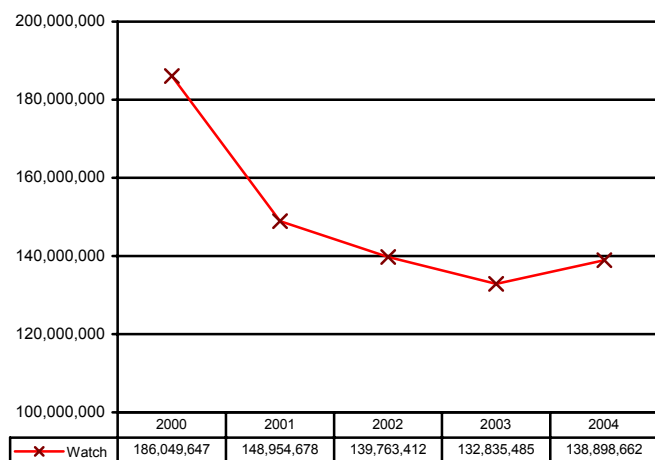
Top Sectors: Watches

All Brazilian watches are manufactured in Manaus. However, the watch sector represents only 1 percent of the trade zone economy.

Total sales income has been decreasing significantly since 2000, when sales reached US\$ 186 million. In 2004 the sector's total sales revenue was US\$ 138 million.

The figures for 2005 do not look very good. From January to March 2005 period sales were US\$ 24 millions, compared to US\$ 26 million for the same period in the previous year.

Total Sales Income - US\$ Millions (Watch Sector)



Trade Shows

Bi-annually since 2002, SUFRAMA has been organizing an international trade show in Manaus, called the Feira Internacional da Amazonia – FIAM (Amazon International Fair).

In 2006, the third edition of FIAM will focus on strategic partnerships between local and foreign companies. The audience is expected to be similar to 2004, when there were 241 expositors, including regional entrepreneurs, companies from the Manaus Industrial Area, Brazilian governmental agencies, and private institutions. Representatives from 34 countries attended the trade show.

Details are available at: www.expoamazonia.com.br

Perspectives

Today, Manaus is the home of 1.5 million people and although the city is in the middle of the Amazon jungle, Manaus is more known for its free trade zone than for eco-tourism.

Although tax breaks for the trade zone have been extended through 2023, manufacturers worry the rules might be changed, eliminating their only economic reason to remain in Manaus.

The Brazilian Government has plans to improve several mostly unpaved highways near Manaus that would give

manufacturers their first overland trucking route to southern Brazil.

SUFRAMA is trying to establish a quicker shipping route to Florida, through the Port of Everglades. Since the United States is the main commercial partner, SUFRAMA's intention is to establish a route between Brazil and the US prior to the implementation of the Free Trade Agreement of the Americas – FTAA.

US\$ millions	2002	2003	2004	2005 (est)
Market Size	\$ 107.6	\$ 121.37	\$ 159.27	\$ 200.0
Exports	\$ 1,025.0	\$ 1,224.0	\$ 1,083.0	\$ 2,400.0
Imports (Global)	\$ 2,583.0	\$ 3,223.0	\$ 3,759.0	\$ 4,200.0
Imports from US	\$ 399.5	\$ 396.3	\$ 366.2	\$ 350.0

Key Contacts

USFCS/BRAZIL SERVICES:

The U.S. Commercial Service offers a range of services to assist U.S. exporters. Interested companies should access the Commercial Service websites www.BuyUSA.com/Brazil or www.export.gov for more information on those services.

- Bernhard J. Smid, Commercial Specialist;
Hardware, Electronics and IT Team Leader
E-mail: Bernhard.Smid@mail.doc.gov

Relevant contacts in the Brazilian market:

- ABINEE - Brazilian Electrical and Electronics Industry Association
www.abinee.org.br
- SUFRAMA – Manaus Free Trade Zone Authority
<http://www.suframa.gov.br>
- Ministry of Development, Industry and Foreign Trade (MDIC)
<http://www.mdic.gov.br>